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THE IMPACT OF FINANCIAL CENTERS ON THE DEVELOPMENT OF GLOBAL FINANCIAL MARKETS

Abstract

Today, as a result of financial globalization, the borders that distinguish international financial markets are being erased, financial markets where controls and restrictions are removed are open to international competition, international capital flows are gaining ground, and the role of new corporate finance investments in financial markets is growing. Against the background of the economic crises of the last decade, the possible impact of the banking crises on both the US and the European Union on the global financial architecture and the future goals of transnational banking has become very important.

The relevance of the dissertation is against the background of globalization and regionalization trends in financial markets, transnational banking, the situation in financial markets in the context of the global financial crisis, and the improvement of institutional and functional regulatory mechanisms of the global financial architecture.

Key words: *global market, world financial market, financial centers, financial assets, national economy*

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Maliyyə mərkəzlərinin qlobal maliyyə bazarlarının inkişafına təsiri

Xülasə

Bu gün maliyyə qloballaşması nəticəsində beynəlxalq maliyyə bazarlarını fərqləndirən sərhədlər silinir, nəzarət və məhdudiyyətlərin aradan qaldırıldığı maliyyə bazarları beynəlxalq rəqabətə açıqdır, beynəlxalq kapital axınları geniş vüsət alır və yeni korporativ maliyyə sərmayələrinin bu sahədə rolu böyükdür. Son onillikdə baş verən iqtisadi böhranlar fonunda bank böhranlarının həm ABŞ, həm də Avropa İttifaqında qlobal maliyyə arxitekturasına və transmilli bankçılığın gələcək hədəflərinə mümkün təsiri çox vacib olmuşdur.

Dissertasiya işinin aktuallığı maliyyə bazarlarında qloballaşma və regionallaşma meylləri, transmilli bankçılıq, qlobal maliyyə böhranı şəraitində maliyyə bazarlarında vəziyyət, qlobal maliyyə arxitekturasının institusional və funksional tənzimləmə mexanizmlərinin təkmilləşdirilməsi fonundadır.

Açar sözlər: *qlobal bazar, dünya maliyyə bazarı, maliyyə mərkəzləri, maliyyə aktivləri, milli iqtisadiyyat*

Introduction

The formation of a new global situation and value system has laid the groundwork for the emergence of trends and tendencies in general development trends that differ from previous periods in terms of content and realization. Reflecting the quantitative results of current trends and a new qualitative state, globalization, especially economic globalization, has created a different and very dynamic global situation that is unprecedented in social history.

Against the background of economic globalization, the important trends observed in the world economy can be grouped as follows:

1. Global value chain: Rapidly changing production characteristics and presentation patterns of services;
2. Production and economic growth trends "sliding" from West to East;
3. Continuous fluctuations and central changes in financial markets and investment movements;
4. Multipolar world order: changing roles and rules;
5. Transverse and long-term integration of the international trade system and the new rules of the international trade system and the adequacy of trade routes to dynamic (mobile) changes;

6. Global disintegration processes and increasing “decentralization” nationalization tendencies;
7. Transformation of the global economic system into a new formation: Deepening of the epoch of knowledge or digital economy;
8. Recessions observed in the global economic system and the deepening of the geography of financial and economic crises, etc.

The author uses "globalization" in the sense of integrating several different market sectors, mainly focusing on TMCs, mainly as a purely market phenomenon. As an alternative to this approach, the German sociologist K. Ome in his book "World without Borders" (1990) noted the scale of the process, noting that it is not only related to the market. The mechanisms and strategies of economic development of individual national economies are becoming meaningless, "global" firms (where the author directly refers to Transnational Companies) are beginning to appear, which are considered to be more effective and, if possible, powerful actors on a global scale.

As can be seen from the above considerations, globalization, especially the process of economic globalization, manifests itself in the form of multidimensional, multi-layered, and multi-faceted systemic emergence (Afşar, 2004:55).

Financial markets are markets in which financial assets circulate. The modern world financial market, by its economic nature, reflects the mechanism of accumulation and redistribution of financial resources between countries, regions, industries, and individual economic entities on a competitive basis.

Financial market:

- mobilizes temporarily free capital from various sources;
- effectively distributes accumulated free capital among its numerous end-users;
- determines the direction of more efficient use of capital in the investment sphere;
- Carries out experienced mediation between buyers and sellers of financial instruments;
- Accelerates capital turnover ie contributes to the activation of economic processes.

In a broad sense, world financial markets are spheres of market relations that ensure the accumulation and redistribution of monetary capital between states. In a narrow sense, the world financial markets are the stock market, ie the securities market. The functions performed by the world financial markets are the continuation and development of the functions of the national financial markets. World financial markets provide:

- provides a mechanism for the transfer of resources between countries;
- allows to reveal the interaction of buyers and sellers of financial resources, the profitability of financial assets and, accordingly, transactions in different currencies;
- Attracting additional investors by re-selling existing financial assets, which increases market liquidity;
- Accelerates the process of transnationalization of not only the industry but also financial capital (Wheatley, 1988:109).

There are several classifications of global financial markets based on different criteria. Depending on the object of the transaction, the world financial markets unite several interrelated segments. These include foreign exchange markets, debt capital markets, stock and insurance markets, and gold markets.

Table 1: The structure and participants of world financial markets

National participants	The structure of markets	International participants
Corporations	Including foreign exchange markets,	International corporations.
Banks and specialized credit and financial institutions, including insurance companies.	eurocurrency market	**International banks, TMBs, specialized credit and financial institutions, including insurance companies.**

Stock and commodity exchanges.	Debt capital markets:	**Large stock and commodity exchanges. International monetary and financial organizations**
	a) money market;	
	b) capital market;	

Source: North, 1973, The Rise of the Western World: A New Economic History. Cambridge UK: Cambridge University Press.

In addition to the above classification, the following world financial markets are distinguished:

• Closed markets - access to those markets is limited; open markets - any participant can enter.

• Permanent markets – here, using the available space, equipment, information technology, transactions can be made at any time; irregular markets, such as auctions, etc.

• National, regional, and world markets by scale (Aksoy, Tanrıoven, 2007:45).

From a functional point of view, the world financial markets are a set of national and international world markets that provide the accumulation and redistribution of financial resources through a system of banks and other financial institutions to ensure the process of reproduction in the world brain. At the same time, the modern world financial market is not a simple mechanical sum of national and international markets, but a complex that takes into account the whole system of complex direct and indirect economic relations between them. Although some features of individual markets (eg, regional or individual financial instrument markets) remain, the process of capital inflows as a whole has gradually led to the formation of a single trading system with currencies, credit resources, and a high correlation index of stock indices. leads to the formation of new segments of world financial markets. From an institutional point of view, this is a set of banks, specialized financial and credit institutions, and stock exchanges where the movement of world financial flows takes place.

Institutions, which are one of the fundamental factors of economic development, express the rules of the "game" in the relations of the state, market, and society. At the same time, these rules form "confidence" in the economy. "Quality" institutions;

i) ensure that all members of society have equal access to economic opportunities;

ii) allows for a fair distribution of resources and

iii) protects the rights of economic agents.

In the economic literature, institutions are divided into different groups according to a) degree of formality b) hierarchical structure and c) spheres.

According to North, institutions consist of formal and informal institutions, which are formed in writing and formed by the historical, ethnic, geographical, and cultural features of the society. Williamson classified institutions according to a hierarchical structure. Thus, according to this approach, informal institutions based on social structure and historical traditions form the basis of the hierarchical structure of society (North, 1973: 23-25).

Analyses

The world's financial centers are places where international currency, credit, financial transactions, securities and collateral agreements are implemented, and where banks and specialized credit and financial institutions are concentrated.

The main function of international financial centers is to ensure the most efficient transfer of financial funds from suppliers to those in need globally or regionally.

Financial centers are evolving from what is emerging in certain cities in each country. For the country in which they are located, these financial centers are considered national financial centers. As a rule, the main part of operations in the financial, currency and credit markets of any country are national operations. Only some of them are international. The main function of these markets is to ensure the efficient transfer of financial funds (funds) from those who offer them to those in need.

There are four types of financial transactions in the world's financial centers.

- Providing funds to the local borrower by a local investor and depositor for the first type of transactions;

- Provision of financial funds by local investors to the foreign borrower for the second type of operation;
- The third type of transaction involves the transfer of funds from foreign investors and depositors to a local borrower.
- The last - the fourth type of operations includes the provision of funds by foreigners operating in the market to other foreign citizens - borrowers.

Even in the most developed financial centers of the world, the share of the latter operation is very small. All types of financial transactions are carried out in the world's largest financial centers, such as London, New York and Tokyo. However, other financial centers (such as Paris, Frankfurt, Geneva, Zurich, Amsterdam, Singapore, and Hong Kong) are financial centers that carry out only two or three of these operations. Examples of centers for foreign financial transactions are Luxembourg, the Cayman Islands, the Netherlands Antilles, the Bahamas, and Bahrain (Ağır, 2010:78).

LFB conducts transactions with various electronic platforms:

- Stock Exchange electronic Trading Service - SETS - It is LFB's leading electronic calling platform. Transactions are carried out here with shares of various indices FTSE100, FTSE250, Exchange investment funds, exchange investment products, as well as listed companies (Sonila, 2005:55).
- SETSqx-Stock Exchange electronic Trading Services - quotes and crosses - It deals with assets with less liquidity than SETS.
- SEAQ is a non-electronic price bidding platform of LFB, where market makers offer transaction services on AIM securities and fixed interest markets. It is important for 2 market makers to participate in the sale of securities in the SEAQ system. This system operates 24 hours a day. In this system, agreements can be signed during informal hours.

LFB members are divided into 4 groups:

- broker-dealer firms - their main function is to fulfill the instructions of investors when buying and selling securities;
- market maker - to evaluate the securities identified during the business day;
- brokers of dealers - intermediaries between market makers;
- stock exchange money brokers.

The analysis of indices for this market segment allows us to make the following generalizations:

- Financial Times Stock Exchange 100 Index (FTSE 100 Index) - a share index of the 100 companies with the highest capitalization listed on the London Stock Exchange. As of September 2016, the market value was 1.7 trillion. pounds. It was established in 1984.
- FTSE 250 Index - is calculated on the basis of the share of companies ranked 101st and 350th on the London Stock Exchange. This index is calculated and published in real-time. In September 2008, the market value was $ 161 million. The value of the index in August 2015 amounted to 342 million pounds. rose to a pound. It was established in 1984 (Volosovych, 2006:120).
- FTSE 350 Index - an index calculated on the basis of firms with a large capitalization level of 350 on the LFB, which includes the FTSE 100 and FTSE 250 indices.
- FTSE SmallCap Index - is calculated based on the capitalization of companies ranked 351st and 619th on the LFB.
- FTSE All Share Index - The Aggregate Stock Index is based on the capitalization of 627 firms listed on the LFB.

The New York Financial Center is one of the largest centers of foreign exchange trading in the world, both in terms of currency turnover and the number of currency units circulating there. In the New York international market, currency trading is carried out by both intermediaries and independent traders who act at their own expense. There are also financial centers in the United States in Chicago, Boston, San Francisco and New Orleans (Wei, 2000:89).

They connect the US financial markets with the world financial markets through three channels. These include financial institutions, transnational corporations and the securities market.

The New York Stock Exchange (NYSE) was founded in 1792 and is the world's oldest stock exchange. It also accounts for more than a third of the world's securities transactions. NYFB members are divided into the following categories according to their activities: broker-commissioner; broker working in the hall; stockbrokers; specialists.

This was due to the fact that at that time, the Japanese authorities began to draw on and cite capital, technology, and production and management practices from Western European countries and the United States. The Tokyo Stock Exchange was established in 1878 and gained the status of an international stock exchange only in 1960-1970. This happened at a time when Japan was recognized as the world's second-largest industrial superpower as a result of the "Japanese economic miracle." Tokyo's international financial center began to take shape in the 1980s when it finally became Japan's largest currency holder. It was then that the country liberalized the yen and opened its doors to foreign capital inflows. After this event, the Tokyo financial center further developed and took a leading position in the world (Muhammet, 2002:110).

The Tokyo Stock Exchange accounts for 80% of the country's stock turnover. The main buyers and sellers of this stock exchange are institutional owners of securities. The main method of trading on the Tokyo Stock Exchange is an open binary auction (Rodrik, 2002:43).

Indexes

- NASDAQ-100 (^ NDX) - is based on 107 securities issued by the 100 largest non-financial firms listed in the NASDAQ. The weights of securities in the index are formed in accordance with the capitalization indicators.
- NASDAQ Composite (^ IXIC) is an index based on stocks and other securities listed on NASDAQ. Together with the Dow Jones Average and the S&P 500, it is one of the most-watched indices in the US stock markets. It was established in 1971 with the participation of 50 companies.
- Dow Jones Industrial Average (DJIA) - includes the 30 largest companies in the United States. Rather, it shows the positions of these companies in the stock market during a trading session. It was first prepared on May 26, 1896 (Theodore, 2009:35).
- Standard & Poor's 500 (S&P 500, or S&P) is an index that includes the market capitalization of the 500 largest companies listed on the NYSE and NASDAQ. The market value in February 2017 was 21.4 trillion. dollars.

Table 2: A statistical picture of the rating of international financial centers

	Stock exchange *	Market capitalization ($ billion)	Age	Number of listed companies
1	NYSE	19 223	224	2400
2	NASDAQ	6831	45	3058
3	London	6187	215	3041
4	Tokio	4485	138	2292
5	Shanghai	3986	26	1041
6	Hong-Kong	3325	125	1866
7	Euronext (France)	3321	16	1299
8	Toronto	2781	155	1524
9	Shenzhen	2285	29	1420
10	Frankfurt	1766	431	3769
11	Bombey	1682	141	5749
12	Indian National Stock Exchange	1642	24	1696
13	SIX Sweden	1516	21	262
14	Australian Stock Exchange	1272	29	2166

15	**Korea Exchange**	**1251**	**11**	**2030**
16	**NASDAQ Nordic**	**1212**	**13**	**564**
17	**JSE Limited**	**951**	**128**	**472**
18	**Madrid**	**942**	**185**	**175**
19	**Taiwan**	**861**	**55**	**758**
20	**BM&F Bovespa (Brasilia)**	**824**	**126**	**365**

Resource: According to the data for April 2019.

The Paris Stock Exchange is one of the most popular markets in the world. According to the data, 1,500 securities of 63,000 giant French companies are registered here. The main condition is that the annual turnover of each of them is not less than 500 million francs. However, it is also a natural consequence of the development of the world debt capital market, as well as a sign that developing countries are entering the structure of the world economic system and the international division of labor. Specialization in the types of international financial and credit operations between financial centers dates back to the 70s of the last century. Thus, within Western Europe, the London financial center is known, above all, for the euro, gold, stock prices, futures transactions. Frankfurt-on-Main and Zurich financial centers differ in traditional long-term debt. The Luxembourg Financial Center specializes in medium-term and short-term operations (Quliyev, Mahmudov, 2011:79).

At present, such a situation has developed in different regions of the world. Singapore plays the role of a fundraising market in the region. Hong Kong is known around the world as the largest market for syndicated lending. Bahrain is a major hub in the Middle East for short-term loans, as well as foreign exchange, gold, and insurance markets. The financial centers of the Cayman Islands and Bermuda, which are aimed at providing services in Latin American countries, are now recognized around the world as giant international insurance markets.

Conclusion

In terms of maturity, financial markets are divided into a money market with instruments with a maturity of 1 year and a capital market with a maturity of financial instruments with a maturity of more than 1 year. Money markets allow commercial banks and companies of various profiles to adjust the liquidity of their assets. The methods of adjustment can be different: placement of quotes, lending and purchase, and sale of securities. The main purpose of operations in capital markets is to obtain maximum return on the identified risk in the medium and long term.

In addition, they separate the primary and secondary financial markets. Initial placement or issuance of financial instruments occurs in primary markets. Subsequent purchase and sale of relevant instruments are carried out in secondary markets.

From an organizational point of view, the world financial market is divided into unorganized markets and organized markets or exchanges, where transactions are carried out directly or through intermediaries (Huseyn, 2010:43).

At the same time, there is a need to characterize the groups of countries to which the financial markets belong, which highlights the need to further specify the issue.

Emerging financial markets have a number of characteristics, including:

- High risk, such as political risk, application of currency restrictions, increased tax burden, privatization, illegal seizure of property, etc. risks;
- Lack of stability. The exchange rate, the interest rate is quite sharp and fluctuates frequently;
- Lack of advanced form of risk insurance;
- Insufficient infrastructure development;
- Lack of a unified information system;
- The legal framework governing operations is in its infancy;
- Sellers of funds to intermediaries operating in the financial market

lack of trust by, etc.

The economic literature shows that the following conditions are important for becoming an international financial center:

1. Protection of economic freedom and private property. Freedom of financial market, activity, consumption, savings, and investment;
2. Availability of favorable financial institutions with the ability to direct capital investments and savings;
3. Presence of a stable currency that ensures domestic economic stability (balance) and has won the trust of foreign investors;
4. Availability of active, comprehensive mobile-complex markets;
5. Special financial knowledge and availability of qualified human capital;
6. Improvement of market conditions and availability of appropriate legal and social environment, etc.

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